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**FISCAL IMPACT STATEMENT**

**LS 7072**

**BILL NUMBER:** SB 309

**NOTE PREPARED:** Feb 22, 2010

**BILL AMENDED:** Feb 22, 2010

**SUBJECT:** School corporation expenditures.

**FIRST AUTHOR:** Sen. Alting

**FIRST SPONSOR:** Rep. Porter

**BILL STATUS:** CR Adopted - 2<sup>nd</sup> House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) *Transfers:* The bill allows the governing body of a school corporation to adopt a resolution to transfer money for 2010 and 2011 among funds maintained by a school corporation, except to or from the debt service fund, and certifying that the money transferred will be used solely to avoid school employee layoffs and to protect instructional programs. It limits the amount that can be transferred to the amount the school corporation's state tuition support is reduced for 2010 and 2011. It also permits transfers only in 2010 and 2011.

*School Fiscal Year Budgeting:* The bill delays for one year the changing of the effective date for the school budget year to move from a calendar year to a fiscal year.

*Skilled Trade Employees:* The bill allows schools to pay the salaries of skilled employees from their Capital Projects Fund, (CPF) to purchase maintenance vehicles from their CPF.

*Maintenance Vehicles:* The bill allows schools to purchase maintenance vehicles from their CPF

*New Facility Transfer:* The bill allows certain school corporations to make transfers among certain school funds for the increase cost of opening a new facility.

**Effective Date:** July 1, 2010.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Transfers:* Schools are required to report to the Department of Education within three months after the end of the year. The information is to include:

1. The purpose of the transfer.
2. The funds involved in the transfer.
3. The amount transferred between the funds.
4. The impact of the transfer to the programs that were supported by the fund from which the transfer is made.

Any increase in expenditures is probably minor.

(Revised) *School Fiscal Year Budgeting:* The bill delays (from June 30, 2011, until June 30, 2012) the requirement that schools start budgeting on a fiscal-year cycle. The provision could result in a minor reduction in school administrative expenses.

(Revised) *Skilled Trade Employees:* Currently, some schools can pay the salaries of skilled trade employees from their Capital Projects Fund if the salaries of the employees are greater than \$600,000. The bill would allow all schools to pay the salaries of their skilled trades employees from the CPF. The impact would depend on the number of schools that hire skilled trade employees. The General Fund Expenditures for skilled trade employees for six schools in CY 2009 was about \$750,000 and about \$250,000 for three schools in CY 2008. The amount could increase if more schools hired skilled trade employees.

(Revised) *Maintenance Vehicles:* Currently, maintenance vehicles have to be purchased from the school General Fund. The bill would allow schools to purchase maintenance vehicles from their CPF. About 21 schools spent about \$825,000 to purchase maintenance vehicles in CY 2009 and 30 schools spent about \$920,000 in CY 2008.

**Explanation of Local Revenues:** *Transfers:* The bill allows school corporations to transfer funds among the following funds (CY 2008 year-ending cash balances are included).

1. General Fund, \$594.0 M.
2. School Transportation Fund, \$138.1 M.
3. School Bus Replacement Fund, \$51.7 M.
4. Capital Projects Fund, \$390.0 M.
5. Levy Excess Fund, \$7.8 M.
6. Repair and Replacement Fund, \$2.7 M.
7. Self-insurance Fund, \$262.5 M.
8. School Technology Fund, \$17.5 M.

To be able to transfer funds, the school must develop policies to avoid school employee layoffs and to protect instructional programs for the 2010-2011 school year. The maximum amount of the transfer for any school equals the amount of the state reduction in the school's tuition support for 2010 and 2011. The impact would depend on the number of schools that would qualify for the transfer. The maximum possible transfers are about \$298 M. The transferred funds have to be used to avoid school employee layoffs and protect instructional programs.

*New Facility Transfer:* A school would also be able to make a transfer in addition to the above transfer if they had held a hearing for a new facility appeal for CY 2010 but were unable to apply for the appeal because the appeal was repealed by the 2009 General Assembly. It is unknown the amount of the new facility appeals schools planned on filing but were unable to file. The new facility appeals annually in the past have varied

between \$5 M -13 M.

**State Agencies Affected:** Department of Education; Budget Agency

**Local Agencies Affected:** Schools.

**Information Sources:** Department of Education Databases

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